

Message Text

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41

ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03 LAB-04

SIL-01 /080 W

----- 041628

R 271719Z FEB 76

FM AMEMBASSY BONN

TO SECSTATE WASHDC 6801

INFO AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION EC BRUSSELS

USMISSION OECD PARIS

USMISSION USBERLIN

USMISSION NATO BRUSSELS

USNMR SHAPE

AMCONSUL FRANKFURT

AMCONSUL MUNICH

AMCONSUL BREMEN

AMCONSUL DUSSELDORF

AMCONSUL HAMBURG

AMCONSUL STUTTGART

CINC USAFE RAMSTEIN

CINC USAREUR HEIDELBERG

CINC EUR VAIHINGEN

C O N F I D E N T I A L SECTION 01 OF 02 BONN 03337

DEPARTMENT PASS TREASURY, FRB AND CEA

E.O. 11652: GDS

TAGS: EFIN, GW

SUBJECT: CONCERTED ACTION MEETING BOWS TO POLITICAL
REALITIES

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REFS: (A) STATE 19631, 1975, (B) STATE 19044, 1975

1. SUMMARY. THE REGULARLY SCHEDULED CONCERTED ACTION MEETING TOOK PLACE BETWEEN GOVERNMENT, LABOR AND BUSINESS TO DISCUSS THE ECONOMIC SITUATION AND RELATED POLICIES. WHILE THERE WAS SOME SHOW OF A REBUTTAL BY LABOR TO THE GOVERNMENT/BUSINESS ARGUMENT FOR WAGE RESTRAINT TO PROTECT EMPLOYMENT, IT WAS NOT PUSHED TO THE POINT OF SERIOUSLY ROCKING THE BOAT. REASON: THE LABOR CHIEFS DON'T WANT TO CAUSE THE GOVZRNMENT TOO MUCH TROUBLE IN VIEW OF THE UPCOMING ELECTIONS. END SUMMARY.

2. THE FEBRUARY 24 TOP-LEVEL GOVERNMENT/MANAGEMENT/ LABOR "CONCERTED ACTION MEETING" REPORTEDLY FEATURED A CONSENSUS AMONG THE PARTICIPANTS AS TO (1) THE APPRAISAL OF THE CURRENT UNDERLYING BUSINESS SITUATION ("RECOVERY PHASE") AND (2) THE NUMBER 1 POLICY TARGET -- REDUCTION OF UNEMPLOYMENT. HOWEVER, VIEWS ON HOW TO ACHIEVE THE LATTER CONTINUED TO DIFFER. EXISTING MEDIUM-TERM MODEL CALCULATIONS OF THE ECONOMICS MINISTRY (SEE REFTELS), WHICH POINT TO STIMULATION OF INVESTMENT THROUGH HIGHER PROFITS AT THE EXPENSE OF WAGES AS THE KEY TO SUSTAINED GROWTH AND HIGH EMPLOYMENT LEVELS CONTINUED

NOT SURPRISINGLY, TO BE FULLY BACKED BY MANAGEMENT BUT CONTESTED BY LABOR.

3. THE TRADE UNION FEDERATION (DGB) PRESENTATION TO THE CONCERTED ACTION GROUP WAS A SORT OF REBUTTAL TO THE GOVERNMENT'S PRESENTATION MADE AT THEIR LAST GET-TOGETHER (SEE REFTELS) ON THE MACRO-ECONOMIC PARAMETERS NECESSARY TO CURE THE EMPLOYMENT PROBLEM OVER THE MEDIUM TERM. THE UNION FORECAST SUGGESTED THAT UNEMPLOYMENT COULD BE BROUGHT DOWN TO 0.9 PERCENT BY 1980 WITH A 4.5 PERCENT AVERAGE REAL GNP GROWTH, A LABOR PRODUCTIVITY INCREASE OF 4 PERCENT, AND A REDUCTION IN THE FOREIGN WORKER POPULATION TO 1.5 MILLION. THIS IS POSSIBLE, ACCORDING TO THE DGB, EVEN WITH GREATER INCREASES IN WAGES THAN IN PROFITS. THREE VARIANTS WERE PRESENTED BY THE DGB THAT INCLUDED ANNUAL WAGE INCREASES AVERAGING

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8.3 TO 9.7 PERCENT AND PROFITS AVERAGING BETWEEN 4.7 AND 8.3 PERCENT IN EACH OF THE FIVE YEARS UNTIL 1980. EVEN IN THESE CIRCUMSTANCES INVESTMENT NEED NOT SUFFER IN THE UNION VIEW. (COMMENT: THIS PAPER WAS DESCRIBED TO US BY ECONOMIC "WISEMAN" GUTOWSKI OF THE FRG COUNCIL OF ECONOMIC EXPERTS AS NONSENSE, WHICH INDEED IT DOES SEEM TO BE IN PROJECTING SUCH A ROSY FUTURE -- ESPECIALLY ON THE EMPLOYMENT SIDE.).

4. THE UNIONS ARGUED THAT A GREATER SHARE OF THE PIE FOR BUSINESS IS NO GUARANTEE FOR A LASTING IMPROVEMENT OF INVESTMENT PROPENSITY. INSTEAD, THEY WANT TO SEE CAPACITY UTILIZATION AND SALES PROSPECTS IMPROVED BY SUPPLEMENTING MACRO-ECONOMIC POLICY TOOLS WITH STRUCTURAL DEVELOPMENT PLANS, DEMANDING FORWARD LOOKING ANALYSES OF VULNERABLE SECTORS OF THE ECONOMY TO FACILITATE TIMELY REGIONAL OR SECTORAL COUNTER-MEASURES IMPLYING, HOWEVER, THAT THIS WAS NOT INTENDED TO INVOLVE DETAILED NATIONAL PLANNING.

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C O N F I D E N T I A L SECTION 02 OF 02 BONN 03337

5. MANAGEMENT REPRESENTATIVES, ON THE OTHER HAND, HELD THAT THESE PROPOSALS ARE NOT COMMENSURATE WITH FREE MARKET PRINCIPLES, REITERATED THAT IMPROVED PROFITS ARE THE MAJOR PREREQUISITE FOR REVIVAL OF INVESTMENT AND
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ONCE AGAIN EMPHASIZED THAT NOT ONLY WAGE RESTRAINT BUT ALSO TAX RELIEF IS NEEDED TO END THE STRANGULATION OF PROFITS AND THE RESULTING INVESTMENT SLUMP.

6. ECONOMICS MINISTER FRIDERICHs EXPLAINED THAT WHAT HIS MINISTRY PRESENTED WAS A MODEL CALCULATION (REFERRING TO THE EARLIER PRESENTATION MADE AT THE LAST CONCERTED ACTION MEETING; SEE REFTTEL), AND NOT A GOAL PROJECTION OR PROGNOSIS. NEVERTHELESS, HE ONCE AGAIN EMPHASIZED THAT, IN HIS VIEW, ABOVE-AVERAGE EXPANSION OF INVESTMENT IS INDISPENSIBLE FOR ACCELERATED GROWTH AND HIGHER EMPLOYMENT. AT THE SAME TIME, HE REPORTEDLY REQUESTED MANAGEMENT "TO SHOW MORE THAN JUST VERBAL APPROVAL" OF GOVERNMENT ECONOMIC POLICIES. IN THIS CONTEXT, HE NOT ONLY EMPHASIZED THE NEED FOR PRICE RESTRAINT BUT ALSO POINTED OUT THAT HIGHER PROFITS SHOULD NOT ONLY BENEFIT ENTREPRENEURS BUT SHOULD BE ACCOMPANIED BY STEPPED-UP CAPITAL FORMATION BY WORKERS.

7. COMMENT: WE HAVE BEEN TOLD BY A PARTICIPANT IN THE CONCERTED ACTION MEETING THAT THERE WAS A DESIRE ON THE PART OF ALL PARTICIPANTS TO AVOID A SERIOUS CONFRONTATION. LABOR CHOSE NOT TO DEVELOP THE ISSUE OF WAGE RESTRAINT AS URGED BY THE GOVERNMENT AND BUSINESS INTO A MAJOR DEBATE, NOT SO MUCH BECAUSE THEY WERE CONVINCED BY THE MINISTRY'S TECHNICAL ARGUMENTS NOR BY A "SWEETHEART" DEAL WITH BUSINESS, BUT RATHER FOR POLITICAL REASONS. THE UNIONS, AS WE WERE INFORMED, WERE MOTIVATED OUT OF A DESIRE TO BE HELPFUL TO THE GOVERNMENT BY NOT STRONGLY ROCKING THE BOAT BEFORE THE UPCOMING PARLIAMENTARY ELECTIONS. THERE DEFINITELY WAS NO DESIRE, HOWEVER, TO HELP MINISTER FRIDERICHs, ALTHOUGH SUCH A CONCLUSION MIGHT OTHERWISE BE DRAWN FROM WHAT APPEARS TO HAVE BEEN A FAIRLY AMICABLE GET-TOGETHER. THOUGH LABOR HAD TO MAKE A DISPLAY OF MODERATE PROTEST BY PRESENTING THEIR

REBUTTAL PAPER DESCRIBED IN PARAGRAPH 2 ABOVE THEY
MADE NO BIG ISSUE OF IT NOR DID THE GOVERNMENT CHOOSE
TO MAKE ANY LENGTHY QUANTITATIVE BRIEFING AS HAS BEEN
THE CASE IN THE PAST. IT SEEMS TO HAVE LARGELY BEEN A
NON-EVENTFUL RITUALISTIC REUNION THAT TEMPORARILY SWEEPED
THE POTENTIALLY DIVISIVE WAGE ISSUE PARTLY UNDER THE
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RUG, WHERE HOPEFULLY IT WILL REMAIN UNTIL AFTER
OCTOBER 3.
HILLENBRAND

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, MEETINGS, POLITICAL SITUATION, LABOR UNIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 27 FEB 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ShawDG
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976BONN03337
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760074-0913
From: BONN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t1976027/aaaaafbk.tel
Line Count: 238
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 76 STATE 19631, 76 STATE 19044
Review Action: RELEASED, APPROVED
Review Authority: ShawDG
Review Comment: n/a
Review Content Flags:
Review Date: 31 MAR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <31 MAR 2004 by ElyME>; APPROVED <29 JUL 2004 by ShawDG>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CONCERTED ACTION MEETING BOWS TO POLITICAL REALITIES
TAGS: EFIN, GE
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006